

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2886 - SB 2901

March 23, 2022

SUMMARY OF BILL: Authorizes the State of Tennessee, acting by resolution of its funding board, to issue and sell direct general obligation interest bearing bonds not to exceed \$83,500,000. The proceeds will be allocated to the Department of Transportation for the construction of highways and for the purpose of acquisition of equipment and erection, construction and equipment of sites and buildings including the acquisition of existing structures for expansion, improvements, and repairs to existing structures. Authorizes the Funding Board to issue bond amounts not to exceed 2.5 percent of the amounts specified above for funding discount and cost of issuance. Cancels the bonds authorized to be issued by Public Chapter 758 of 2020.

FISCAL IMPACT:

Increase State Expenditures - \$9,185,000 - First-Year Debt Service

\$136,105,000 Over the life of the bonds

\$83,500,000 Principal

\$52,605,000 Interest

The Governor's proposed budget for FY22-23, on page A-13, recognizes a proposed bond authorization of \$83,500,000.

Assumptions:

- The coupon rate is estimated to be six percent.
- Bonds are issued for a term of 20 years.
- One-twentieth of the principal plus interest will be paid annually.
- Based on current bond market rates, it is estimated that the cost of capital reflected by a six percent coupon rate will be sufficient for paying actual first-year debt service plus any costs of issuance.
- Public Chapter 758 of 2020 authorized issuance and sale of bonds in the amount not to exceed \$221,696,000. Proceeds of such sales were to be allocated for various purposes.
- Based on information provided by the Department of Finance and Administration (F&A), such bonds were never issued or sold. These projects will now be funded with cash, through the appropriations bill (HB 2882 – SB 2897).

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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